

K. Chad Burgess
Director & Deputy General Counsel
Dominion Energy Southeast Services, Inc.

220 Operation Way, MC C222, Cayce, SC 29033
DominionEnergy.com



October 17, 2019

VIA ELECTRONIC FILING

Jocelyn Boyd, Esquire
Chief Clerk and Administrator
The Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

Re: Annual Review of Purchased Gas Adjustment and Gas Purchasing
Policies of Dominion Energy South Carolina, Incorporated f/k/a South
Carolina Electric & Gas Company
Docket No. 2019-5-G

Dear Ms. Boyd:

Please allow this letter to serve as the response of Dominion Energy South Carolina, Inc. ("DESC" or "Company") to the letters of the South Carolina Office of Regulatory Staff ("ORS") dated October 8, 2019, and the South Carolina Energy Users Committee ("SCEUC") dated October 9, 2019. For the reasons set forth below, DESC's request for authorization to amend its General Terms and Condition for natural gas service does not exceed the scope of the Commission's annual review of DESC's purchased gas adjustment and gas purchasing policies established by Commission Order No. 87-898 ("PGA Proceeding"). Furthermore, the "Notice of Hearing and Prefile Testimony Deadlines" issued by the Clerk's Office in the PGA Proceeding adequately and sufficiently informed DESC's customers of the subject matter and issues involved in Docket No. 2019-5-G. Moreover, DESC has informed its interruptible customers that the Company has requested proposed pricing changes for emergency and penalty gas in Docket No. 2019-5-G. Accordingly, the positions of both ORS and SCEUC lack merit and should be rejected by the Commission.

Background

On June 12, 2019, the Clerk's Office issued a "Notice of Hearing and Prefile Testimony Deadlines" ("Notice") in the above-referenced docket and by letter dated June 12, 2019, instructed DESC to publish the Notice in newspapers of general circulation and to provide the Notice to its customers by U.S. Mail or by electronic mail to those customers who have agreed to receive notice by electronic mail. DESC

(Continued . . .)

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complied with the Clerk's instructions in a timely manner by providing the Notice to its customers which informed them that the Commission would be conducting its annual review of DESC's purchased gas adjustment and gas purchasing policies. The Notice also informed DESC's customers that they could participate in the PGA Proceeding as a party of record by filing a Petition to Intervene by September 19, 2019. By letter dated August 16, 2019, Ms. Ann Wilson timely informed the Commission that she wishes to participate in the hearing as a witness. Ms. Wilson is the only person who has requested to participate in the PGA Proceeding.

In compliance with the Commission's prefiled testimony deadlines, DESC prefiled its direct testimony on September 20, 2019, and as part of the Company's prefiled direct testimony it requested authorization to amend a portion of its General Terms and Conditions for natural gas service ("Tariff") which addresses the availability of gas service and gas supply deficiency. More specifically, DESC is requesting authorization to (i) amend the penalty assessed against those interruptible customers who violate a natural gas curtailment order issued by the Company and (ii) amend the price for emergency gas for those interruptible customers who are subject to a curtailment order but request authorization to purchase gas during a curtailment order. As stated in the prefiled direct testimony of Rose M. Jackson, the first change is intended to deter interruptible customers from using natural gas during periods of curtailment and the second change is intended to encourage interruptible customers to contact the Company in the event that an emergency situation occurs during periods of curtailment while retaining the incentive to not use natural gas during periods of curtailment if at all possible.

On October 8, 2019, ORS filed a letter to "advise the Commission that the [ORS] believes that these requested changes are beyond the scope of a Purchased Gas Adjustment proceeding" and that DESC's "interruptible customers were not provided notice of the requested Tariff changes." Notably, ORS does not ask or request that the Commission take any action in this matter, but simply "advise[s]" the Commission of ORS's belief. On October 9, 2019, however, the SCEUC filed a letter stating that it agreed with ORS and "respectfully requests that the Commission deny DESC the requested relief in the instant docket."¹

**The requested amendment to the Tariff
does not exceed the scope of a PGA proceeding.**

The scope of a PGA proceeding encompasses "[a] review of the purchased gas adjustments and gas purchasing policies of [DESC]." See Commission Order No. 87-898, p.1.1. The scope of a PGA proceeding is very broad and includes matters that

¹ SCEUC is not a party of record in the PGA Proceeding. For that reason alone, the Commission should disregard the SCEUC's request.

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are contained in DESC's Tariff. In the PGA Proceeding, DESC is seeking to amend its Tariff in such a manner that it will directly impact the availability of gas service and gas supply deficiency – which are issues routinely addressed in a PGA proceeding. Part of DESC's gas purchasing policies includes “whether additional resources are required to serve firm demand” customers. See prefiled direct testimony of Rose M. Jackson at p.10, lines 17-18. Winter weather impacts these resource needs by resulting “in an increase in firm customer usage” and “an increase in the number of curtailments.” *Id.* at p.14, lines 17-18. Despite the increase in curtailments, “some of the Company's interruptible customers failed to curtail.” *Id.* p.15, line 2-3. These failures create a situation that could require DESC to access the energy market to purchase gas at “unprecedented daily prices” in order to meet firm customer demand. *Id.* at p.14, line 15-p.15, line 3. Access to the daily market undoubtedly impacts DESC's gas purchasing policies.

Moreover, in the prefiled direct testimony of ORS Witness Anthony Sandonato he specifically states that the purpose of this testimony is to, among other things, review DESC's “ability to serve the firm customers during the Review Period and for the upcoming winter season.” See prefiled direct testimony of Anthony Sandonato, p.2, lines 12-13. The ability of DESC to serve its firm customer is directly related to DESC's ability to curtail natural gas service to interruptible customers. This fact is not lost on ORS because Mr. Sandonato also discusses in his prefiled direct testimony that DESC was required to curtail natural gas service to its interruptible customers during the review period. *Id.*, p.6, line 5-p.7, line 22. By its own testimony, ORS admits that natural gas availability is an appropriate subject and issue to address in the PGA Proceeding.

The proposed Tariff changes are necessary to prevent these abuses by interruptible customers, and the effect of ORS and the SCEUC's request that the Commission deny the Tariff change will do nothing but continue to enable interruptible customers to continue to ignore curtailment orders thereby impacting gas supply and the Company's gas purchasing policies. Accordingly, the requested amendment to the Tariff is covered by Order No. 87-898 because the failure of an interruptible customer to comply with a curtailment order impacts DESC's “gas purchasing policies.”

**The requested amendments to the Tariff
have been addressed in a prior PGA proceeding.**

The Commission has conducted a PGA proceeding every year for over thirty years, and ORS has been a participant in every PGA proceeding since the agency's inception. It is no mystery to ORS that the PGA Proceeding encompasses many aspects of DESC's natural gas business. For example, DESC regularly discusses in its PGA Proceedings its natural gas distribution system from an operations

standpoint, construction projects, and the Company's natural gas safety performance. More striking, however, is that in 2015, DESC requested authorization to amend its Tariff in a PGA proceeding. *See* Docket No. 2015-6-G.

In Docket No. 2015-6-G, DESC requested an amendment to the very same provisions of its Tariff that it is seeking to amend in the instant docket. In the 2015 PGA docket, however, ORS did not claim that DESC's request exceeded the scope of the PGA proceeding or claim that the notice was insufficient. Instead, ORS entered into a settlement agreement with DESC agreeing to the Tariff changes that ORS and SCEUC now claim cannot be part of this PGA proceeding. *See* Commission Order No. 2015-884 (finding that the Company's revisions to its General Terms and Conditions for natural gas service . . . to be reasonable and prudent and approving the Settlement Agreement entered into between ORS and DESC). The Commission authorized DESC to modify its tariff in the 2015 PGA proceeding because such action is consistent with the scope of Order No. 87-898.

The Notice is adequate and sufficient.

ORS and the SCEUC claim that the Notice is insufficient because it did not inform customers that DESC intended to modify its Tariff and therefore, the requested change to the Tariff should be rejected. The Notice adequately informed DESC's customers of the PGA Proceeding and that the Commission would review the purchased gas adjustments and gas purchasing policies of DESC. The Notice also provided clear instruction on how to participate in the proceeding as evidenced by Ms. Wilson's letter requesting to participate in the hearing. The Commission's rules and regulations govern what must be included in a notice. *See* S.C. Code Ann. Reg. 103-804(J) (2012) (a notice of hearing shall include a statement of the subject and issues involved). The "subject and issues involved" in the PGA Proceeding included DESC's "purchased gas adjustment and gas purchasing policies." It is undisputed that the PGA proceeding is about natural gas, and as stated above, the failure of an interruptible customer to comply with a curtailment order impacts DESC's "gas purchasing policies." Accordingly, the Notice adequately and sufficiently informed DESC's customers of the scope of the PGA Proceeding.

**ORS is a party of record and represents the
interests of interruptible customers.**

The SCEUC is a frequent intervenor in proceedings before the Commission involving DESC and monitors the Commission's docket management system. On September 26, 2019, counsel for ORS advised DESC's counsel that counsel for the SCEUC had contacted ORS to inform it that he had reviewed the prefiled direct testimony of Rose M. Jackson filed by DESC in the PGA Proceeding, was aware of DESC's requested Tariff change, and questioned the adequacy of the Commission's

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Notice.² Despite having notice sufficient to raise the issue with ORS, SCEUC remained silent for nearly two weeks before filing its letter in support of ORS.

During its period of silence, the SCEUC could have petitioned to intervene out of time, but it did not do so. Instead, it opted to remain idle until October 9, 2019, and as of the date of this response, the SCEUC has elected to not intervene in the proceeding but yet is requesting that the Commission deny DESC's request to amend its Tariff. The SCEUC's knowledge of the PGA Proceeding and DESC's requested Tariff change coupled with its decision to not intervene demonstrates that the SCEUC is satisfied with ORS's representation of the "public interest" in this proceeding. ORS, pursuant to S.C. Code Ann. § 58-4-10 represents the "public interest" which includes "the concerns of the using and consuming public with respect to utility services, regardless of the class of customers" In other words, ORS represents every customer, including interruptible customers, on DESC's system in the PGA Proceeding. ORS is actively participating in the PGA Proceeding and has prefiled direct testimony in this proceeding acknowledging that DESC is requesting a change to its Tariff but does not take a position in its testimony as to whether the Tariff changes should be granted or denied.

**DESC has informed its interruptible
customers of the proposed Tariff change.**

In addition to the Notice that DESC provided to its customers pursuant to the Clerk's instructions, DESC has also directed a communication "[t]o Interruptible Natural Gas Customers of Dominion Energy South Carolina (DESC)" dated October 7, 2019, reminding interruptible customers of their obligations in the event of a curtailment order and explicitly advising that:

Failure to comply with a curtailment order will result in usage being billed as Penalty Gas. **Pricing changes have been proposed for both emergency and penalty gas in Docket No. 2019-5-G.**

See Notice Email, attached hereto as Exhibit A (emphasis added). Thus, the entire customer class impacted by the proposed Tariff change has actual notice of the proposed change.

² DESC is unaware of the actual date when SCEUC's counsel first contacted ORS.

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DESC's request to modify its Tariff in the PGA Proceeding does not exceed the scope of a PGA proceeding. The amendment to the Tariff that DESC is requesting relates to the Company's gas purchasing policies which is subject of the PGA Proceeding. Moreover, DESC has previously requested amendments to its Tariff in a prior a PGA proceeding which the Commission has approved. Lastly, by representing the public interest, ORS represents the interest of DESC's interruptible customers. ORS is aware of the requested Tariff changes and has acknowledged the requested Tariff changes in its prefiled direct testimony. While ORS is not asking the Commission to take any action, DESC nonetheless respectfully requests that the Commission find that the PGA proceeding is an appropriate proceeding for DESC to request an amendment to its Tariff which impacts the Company's gas purchasing policies.

If you have any questions or need additional information, please do not hesitate to contact us.

Very truly yours,



K. Chad Burgess

KCB/kms

Enclosures

cc: Jeffrey M. Nelson, Esquire

Scott Elliott, Esquire

(both via electronic and U.S. First-Class Mail w/enclosures)

EXHIBIT A**Natural Gas Curtailment Forecast (Winter of 2019-20)****Monday, October 7, 2019****To Interruptible Natural Gas Customers of Dominion Energy South Carolina (DESC)**

The Fall Season and cooler weather have finally arrived in South Carolina bringing us closer to cold weather and potential natural gas curtailments. Now is the time to make sure that you have adequate alternate fuel supplies and to test your backup fuel system to make sure that it is in good working order.

Due to customer growth on our system and interstate pipeline capacity constraints, natural gas supply will be very tight during cold weather periods this winter. If we have normal or colder than normal winter weather this year, curtailments with longer durations are likely. The good news is that natural gas market prices continue to be low. Market closing prices have averaged \$2.86 for the past 12 months.

In the event of curtailment, please discontinue natural gas use by the effective time of the curtailment. Under the DESC tariff, Emergency Gas is defined as supplemental deliveries of natural gas that may be required to forestall irreparable injury to life or property including environmental emergencies. **All requests for Emergency Gas must be made by calling the DESC Natural Gas Control Dispatcher at 866-624-7289. Only the Gas Control Center can approve Emergency Gas.** If a request is granted for Emergency Gas, the Natural Gas Control Dispatcher will specify a timeframe. If you are still experiencing problems with your alternate fuel system at the end of the granted timeframe, you will need to call Gas Control again to detail your situation and request additional Emergency Gas. Multiple requests for Emergency Gas during different curtailment periods this upcoming winter, will not be approved. Failure to comply with a curtailment order will result in usage being billed as Penalty Gas. Pricing changes have been proposed for both emergency and penalty gas in Docket No. 2019-5-G. If those changes are approved, details of those modifications will be sent to you via a separate email.

At DESC we value our relationships with you and want your businesses to be successful. However, when curtailments are required, we ask that you be prepared.

We will continue to provide you with an email notification or an alert in advance of an actual curtailment. **Curtailments and release notifications will be made through our Communicator/Dialogic Curtailment System. Please let us know if you would like to add or delete personnel from your email notification list or if you wish to make personnel changes to your contacts in the Communicator/Dialogic Curtailment System.**

If you have any questions regarding this notice, please contact us. Thank you for your business and for your cooperation with this matter.

Charlie Newton 803-217-6570 O; 803-206-6422 C; charles.newton@dominionenergy.com
 Randy Benton 843-576-8945 O; 843-816-0812 C; randall.benton@dominionenergy.com
 Sharon Lynn 803-217-7341 O; 803-394-5569 C; sharon.lynn@dominionenergy.com
 Joe Phillips 803-217-8592 O; 803-360-5886 C; joseph.phillips@dominionenergy.com
 Marcia Stewart 803-217-7129 O; marcia.stewart@dominionenergy.com
 Connie Cain 803-217-1447 O; 803-608-3157 C; connie.cain@dominionenergy.com